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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of	)	
	)	
Implementation of the	)	CC Docket
Pay Telephone Reclassification	)	No. 96-128
and Compensation Provisions of the	)	
Telecommunications Act of 1996	)	

AT&T COMMENTS

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SUMMARY

This remand proceeding is the result of the D.C. Circuit's determinations that the Commission arbitrarily and capriciously

(i) established payphone compensation rates at excessive levels based upon the erroneous assumption that PSPs' costs for providing carriers access to payphones for coinless calls that the carriers themselves complete and bill for equal the assumed market-based retail price PSPs charge customers for placing an end-to-end local coin call, and

(ii) assessed the interim per-call compensation obligation only against the largest IXCs, rather than against all carriers which carry compensable calls.

The Commission must now correct these errors on remand and adopt payphone compensation rules that are consistent with Section 276. AT&T shows in Part I below that the only way to achieve this result is to follow the Commission's own prior rulings and set payphone compensation levels that are based on PSPs' actual efficient costs in providing carriers with access to their payphones for the purpose of completing coinless calls.

Based upon facts AT&T submitted earlier in this proceeding, as updated by the data submitted herein, Part II demonstrates that a fair cost-based compensation rate for coinless calls is 11 cents per call. Part II also shows

that failure to establish the compensation requirement at this level will have significant negative impacts on carriers and consumers, who must ultimately bear the costs of the new charge.

Part III further demonstrates that even if the Commission were to adopt a compensation scheme based on the price for local coin calls less an offset, the offset should be at least 50%, because the cost differences between coin calls and coinless calls and related factors mandate such a differential. Part IV demonstrates that a "market-based" compensation scheme that allows PSPs to collect a "floating" compensation rate based on whatever local coin rate they choose to establish at each phone at any particular time would require carriers to spend hundreds of millions of dollars to track and block calls from excessively-priced payphones and would be virtually impossible, and extremely costly, to administer.

Part V addresses the Commission's unlawful interim per-phone compensation plan. Part V.A shows that interim per-phone compensation should be based on the per-call rate established on this record and applied against all carriers that carry compensable calls, including LECs. Moreover, considering that carriers have not tracked (or been required to track) the vast majority of calls from payphones, total toll revenues are the only reasonable criterion for apportioning carriers' payment responsibilities. In this regard, recent Commission actions in connection with carriers' universal service obligations should provide the information necessary to make such an apportionment.

In Part V.B, AT&T concurs in part with the suggestion in the Public Notice that interim compensation for 0+ calls from BOC payphones and inmate phones should be based on information carriers have collected pursuant to commission agreements with location owners. However, because carriers only have information regarding 0+ calls from contracted phones, the Commission should not require compensation for 0+ calls from non-contracted phones, which in all events can be expected to generate relatively few 0+ calls.

Finally, in Part V.C, AT&T demonstrates that the Commission has ample authority to, and should, order a complete true-up of all interim compensation paid by carriers and received by PSPs under the Commission's unlawful rules.

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AT&T COMMENTS

Pursuant to the Commission's Public Notice released August 5, 1997 (DA 97-1673), AT&T Corp. ("AT&T") submits the following comments on issues arising from the D.C. Circuit's determination that central aspects of the Commission's payphone compensation plan could not be sustained.

In its initial decisions in this proceeding, the Commission, over the vigorous objection of AT&T and other carriers and customers, adopted a compensation scheme for coinless subscriber 800 and access code calls that was based on an assumed "market" price for local coin calls. The Commission also adopted an interim per-phone compensation scheme that required only the 22 largest IXCs, but not smaller IXCs and LECs that also carry compensable calls, to shoulder the entire compensation obligation for the initial compensation period. In Illinois Public Telecommunications

Ass'n v. FCC,[1] the D.C. Circuit held that the Commission acted unlawfully in establishing the so-called "market" compensation rate for coinless calls, because it ignored substantial record evidence that the costs of coinless calls are significantly less than the price for local coin calls on which the payphone compensation rate was based. The Court also rejected the Commission's interim per-phone compensation scheme, both because it was unlawfully based on the local coin rate price and because it unreasonably assessed compensation obligations only against the 22 largest IXCs.

As shown below, based on the facts in the record, which AT&T reiterates and updates in these comments, the proper way to establish a "fair" compensation rate for payphone service providers ("PSPs") is to determine the actual costs an efficient PSP incurs to originate compensable access code and subscriber 800 calls. This is the method that the Commission looked to in the Notice of Proposed Rulemaking and in its previous payphone compensation orders as the optimum method for setting a payphone compensation rate. Using this methodology, a fair cost-based compensation rate is 11 cents per call. But even if the Commission were to use a "top-down" approach for

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1 D.C. Circuit Nos. 96-1394 et al. (July 1, 1997) ("D.C. Circuit Order").

setting the compensation rate based on the retail coin price for completing an end-to-end local coin call -- which it should not -- the facts show that the Commission must set a compensation rate for coinless calls that is at least 50% less than the price of local coin calls.

I. FAIR COMPENSATION FOR SUBSCRIBER 800 AND ACCESS CODE CALLS MUST BE COST-BASED.

Congress adopted Section 276 of the Telecommunications Act of 1996 to assure that PSPs whose payphones originate coinless calls receive fair compensation for the costs they incur in doing so. However, instead of setting a compensation rate for carriers that was based on the PSPs' actual costs in originating compensable coinless calls, the Commission adopted a "market-based" rate approach, under which the payphone compensation rate was set to equal an assumed market price for retail end-to-end payphone calling services PSPs offer to individual callers. In doing so, the Commission ignored both the statute and the record amassed in the initial rulemaking proceeding.

In its Order, the D.C. Circuit found that there was no rational basis for the Commission's conclusion that payphone compensation for originating coinless subscriber 800 and access code calls should be set at the assumed deregulated (or "market") price for end-to-end local coin calling. In particular, the Court found that the record showed there are substantial differences in the costs of the two different types of calls, and it specifically held that:

> The problem with the FCC's decision is that the record in this case is replete with evidence that the costs of local coin calls versus 800 and access code calls are not similar. Numerous IXCs pointed out that the costs of coin calls are higher than those for coinless calls because of the costs typically associated with use of coin equipment (e.g., the costs of purchasing the equipment and coin collection). In addition, IXCs showed that costs of local coin calls are higher because the PSP bears the cost of originating and completing local calls (i.e., "end-to end" costs); by contrast, for coinless calls, the PSP only bears the costs of originating the calls. Even APCC, a trade group for independent PSPs, acknowledged that the costs of coin calls are higher than coinless calls. (emphasis in original).[2]

Because of these essential errors in the Commission's analysis, the Court ruled that the Commission's compensation rate "cannot stand" and that the Commission must reexamine this issue.[3] Accordingly, the Public Notice (p. 2) seeks additional comment on the differences in PSPs' costs for coin and coinless calls, and whether these differences should affect a "market-based" compensation amount.

As shown below, and as the record already amply establishes, there are substantial differences between the costs of local coin calls and coinless calls. Thus, the retail price for local coin calls is not an appropriate surrogate for the costs of originating a coinless call, and

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[2] D.C. Circuit Order, slip op. at 16 (citations omitted).

[3] Id. at 15-17.

the only way the Commission can establish a "fair" compensation scheme under Section 276 is to base the compensation rate on the actual costs PSPs incur in originating coinless calls.

Indeed (and ironically, given its initial decision here), in its prior proceedings regarding payphone compensation, the Commission has consistently acknowledged and held that such costs are the proper basis for setting payphone compensation rates, although it had earlier expressed the concern that it lacked reliable data necessary to set a cost-based compensation rate.[4] In its Notice of Proposed Rulemaking in this proceeding, the Commission likewise tentatively concluded that "PSPs should be compensated for their costs in originating the types of calls for which we have concluded that compensation is appropriate," and it also sought reliable cost data.[5]

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4 In Docket No. 91-35, the Commission concluded that a cost-based approach to setting compensation would be reasonable and viable if it used cost-based surrogates to set the rate. In that situation, the Commission relied on cost surrogates, because it found that the annual compensation it prescribed then amounted to less than $15 million per year, and it therefore concluded that the burden of determining compensation based on actual PSP costs would be disproportionate to any benefits offered by such approach. Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation, 7 FCC Rcd 3251, 3255-56 (1992).

5 11 FCC Rcd 6716, 6736 (1996).

Accordingly, AT&T determined the costs to a PSP of operating coinless payphones and originating coinless calls, based on industry average costs and the costs of its own payphone operations, and provided these data to the Commission.[6] Inexplicably, in its Report and Order, the Commission abruptly abandoned its past holdings and its tentative conclusion in the Notice and used the retail coin price as a "surrogate" for the costs of providing access to payphones for coinless calls.[7] The significant mismatch between the end user price for originating and completing local coin calls and the costs PSPs incur in originating these calls so that the carriers themselves may complete and bill those calls for their customers, resulted in excessive payphone compensation rates that overcompensate PSPs at the expense of carriers and consumers.

II. A FAIR COMPENSATION RATE BASED ON THE ACTUAL AVERAGE EFFICIENT COST OF PROVIDING PAYPHONE ACCESS FOR COINLESS CALLS IS 11 CENTS.

The Commission's excessively high interim compensation rate of $45.85 per phone per month, based on an assumed 35 cent cost per call, results in massive payment obligations for carriers and their customers. Since October

[6] See AT&T Reply Comments (July 15, 1996) at 8-9.

[7] 11 FCC Rcd at 20577 (". . . we conclude that deregulated local coin rates are the best available surrogates for payphone costs and are superior to the cost surrogate data provided by the commenters.")

1996, AT&T alone has paid PSPs over $62 million for compensable calls through the end of the first quarter of 1997, an amount that only reflects payments to independent PSPs. On a going forward basis, at these extreme rates, carriers as a whole would owe all PSPs approximately $100 million a month -- well over a billion dollars a year. Individual payphone users and 800 subscribers thus have been, and would continue to be, significantly and unnecessarily harmed if the Commission does not now rectify the errors in its prior Orders.

In contrast to the Commission's previous compensation rules, which applied only to access code calls from independently owned payphones, Section 276 affects virtually all calls from all payphones. Thus, Section 276 at least trebles the number of compensable coinless calls[8] and at least quintuples the number of phones for which compensation will be due. Even factoring out the access charge reductions relating to LEC payphones, the total payments due to PSPs under the rules adopted in the Report and Order would increase PSP revenues -- at the expense of carriers and consumers -- by about three quarters of a

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[8] Based on evidence in the earlier phases of this proceeding, subscriber 800 calls outnumber access code calls by a ratio of 2 to 1. See APCC Comments (July 1, 1996) at 6; Peoples Telephone Comments (July 1, 1996) at 9.

billion dollars a year.[9] It is therefore critical that the Commission adopt a fair compensation rate which is based on the costs incurred by the most efficient payphone provider. This is the only way to prevent carriers and customers from being forced to overcompensate PSPs.

A fair compensation rate based on cost, which the Commission had repeatedly recognized as the proper basis for calculating such compensation, would result in a far lower rate than the Commission set last year. As AT&T demonstrates below, the appropriate cost-based compensation rate is 11 cents per call.

As AT&T explained in its initial comments -- and as the D.C. Circuit clearly held in its Order -- the Commission must consider the costs a PSP incurs to originate the non-coin calls at issue in setting the compensation rate. The maximum payphone costs reasonably associated with coinless calls include the costs of providing and maintaining the payphone instrument, exclusive of coin-related functions and coin collection costs; the basic line cost,[10] excluding coin rating functionalities but including

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9 Total payphone-related access reductions (both interstate and intrastate) have amounted to only approximately $350 million.

10 AT&T continues to question inclusion of the cost of the basic line charge in payphone compensation calculations, because carriers contribute to such costs through the payment of access charges, see AT&T Comments (July 1,

(footnote continued on following page)

the monthly subscriber line charge ("SLC") and tariffed screening and blocking services from the LEC; and other reasonable expenses associated with the phone, such as touch tone and 911 charges.[11]

In contrast, as the D.C. Circuit recognized,[12] the additional costs of completing local coin calls (i.e., the costs of completing a call from the originating central office to the terminating party) cannot be considered as part of the costs of originating an access code or subscriber 800 call, because all such calls go directly from the LEC's originating central office to the carrier's network over access lines paid for by the carriers themselves. PSPs pay local usage charges, whether included

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(footnote continued from previous page)

1996) at 7-8; AT&T Reply Comments (July 15, 1996) at 13, but includes them here to arrive at the maximum justifiable cost calculation.

11 The Commission has based rates in competitive markets on the basis of the most efficient bellwether carrier. See Sprint Comments (July 1, 1996) at 6 n.2, citing ITT World Communications, Inc. 82 FCC 2d 282, 285-86 (1980), 85 FCC 2d 561, 567 (1981); The Western Union Telegraph Co., 25 FCC 535, 580 (1958); Charges for Communications Service Between the United States and Overseas and Foreign Points, 12 FCC 29, 62 (1947); Postal Telegraph-Cable Co. et al., 5 FCC 524, 527 (1938). The Commission should similarly do so here and should not subject carriers or consumers to PSPs' efforts to recover more than the efficient costs of payphone usage for coinless calls.

12 Slip op. at 16.

in the flat rate line charge or billed on a measured basis, for the ability to complete local coin calls. Those costs are not attributable to coinless calls and should therefore be excluded from payphone compensation calculations.[13]

In its July 15, 1996 Reply Comments, AT&T presented an analysis of the costs it incurs for operating its own coinless phones. As explained in the attached affidavit of David Robinson, AT&T has performed a similar analysis here with some revisions to reflect all the costs PSPs even arguably incur to operate coinless phones. In its revised analysis, AT&T modified the costs for the payphone station and installation based on updated equipment and labor costs, and increased the amortization equipment and installation costs by including an 11.25 percent interest on capital factor. Affidavit at ¶¶ 4-10. AT&T also increased the maintenance/warehouse/parts costs based on updated data and added averaged costs for the basic line, and other payphone-related charges. Id. at ¶¶ 14, 17. AT&T further reduced the subscriber line charge slightly, based on a tariffed national average of $5.83, and averaged monthly blocking and screening charges at $10.00, resulting in a total cost for coinless phones of $76.85 per phone, per

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[13] To the extent some LECs have, for strategic pricing or other reasons, bundled call completion charges into their rates for basic coin lines, they should be required to disaggregate such charges.

month. Id. at ¶¶ 19-20. The breakdown of these costs is as follows:

PAYPHONE COST ANALYSIS
MONTHLY COINLESS STATION COST

	7/96 View	Current View
Payphone Station	$250	$225
Payphone Enclosure	$250	$300
Installation	$385	$335
TOTAL	$885	$860
Amortized Equipment and Installation Cost/mo.	$7.38	$7.35
Maintenance/Warehouse Parts/Staff/mo.	$23.28	$25.10
SLC/mo.	$6.00	$5.83
LEC Blocking/ Screening/mo.	$5.00-$17.00	$10.00
Basic Line Charge/mo.		$22.73
Other/mo.		$1.84
	$41.66-$53.66/mo.	$76.85/mo.

In setting the actual compensation rate, the Commission should apply these costs, at a maximum, across the total number of calls originated from payphones, because these functions are used for all payphone-originated calls. On a per call basis, based on an average of 700 total calls per phone, per month, the costs to a PSP of operating a coinless payphone are 10.98 cents, or 11 cents, per call.

This amount fairly compensates PSPs for originating access code and subscriber 800 calls.[14]

Notably, the 11 cent per-call rate derived above is consistent with the figure NYNEX presented this year to the Massachusetts Department of Public Utilities ("DPU") as its total costs of handling an end-to-end local coin call from a payphone -- which, again, are higher than the cost of originating the coinless calls at issue here. When NYNEX sought an increase in the local coin rate from 10 cents to 25 cents, it provided the DPU with a cost study showing that its total cost for a local coin call was 16.7 cents.[15] NYNEX had every incentive to include every conceivable cost in its calculations in order to justify the proposed rate

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[14] Any rate which the Commission sets should be subject to revision over time because the number of access code and subscriber 800 calls will presumably rise as they have since the Commission set the compensation rate in Docket No. 91-35 (based on 15 access code calls per month, per phone). Setting a rate at an excessive level now would further overcompensate PSPs assuming volumes increase over time.

[15] Investigation by the Department of Public Utilities on its own motion as to the propriety of the rates and charges set forth in the following tariffs: M.D.P.U. Nos. 10 and 15, filed with the Department on December 31, 1996, to become effective January 30, 1997 [Public Access Smartline Service], and M.D.P.U. No. 10 filed January 24, 1997, to become effective February 23, 1997 [elimination of the coin rate for local calls] by New England Telephone and Telegraph Company d/b/a NYNEX, D.P.U. 97-18, Order (Apr 14, 1997) at 2. Although NYNEX's total cost figure of 16.7 cents was referenced in the DPU's order, the cost study on which this figure was based was filed under seal.

increase, including all costs specifically related to coin rating, coin collection and coin-related maintenance activities -- which are not incurred in originating the coinless calls at issue here. Even so, it arrived at a cost which is substantially closer to AT&T's cost analysis for coinless calls than the 35 cent figure used by the Commission -- and it proposed a price based on costs that underscores the arbitrariness of the Commission's selection of 35 cents as an "assumed" market price nationwide. NYNEX's cost figure also illustrates that the per-call compensation rates suggested by the RBOC and independent PSP commenters last year, which were all substantially higher than the NYNEX amount, cannot be considered seriously in determining the appropriate level of compensation here.

III. THE LOCAL COIN PRICE, SUBJECT TO AN OFFSET FOR COIN COSTS, DOES NOT RESULT IN A FAIR COMPENSATION RATE, BUT EVEN IF THE COMMISSION USED SUCH AN APPROACH, THERE SHOULD BE AT LEAST A 50% REDUCTION FROM THE PRICE OF LOCAL COIN CALLS.

If the Commission adopts a compensation approach based on the price of a local coin call less an offset for coin-related and call completion costs -- which it should not -- the appropriate offset should be at least 50%. About 45% of the cost (and presumably a similar proportion of the price) of local coin calls relates to the functions that are associated with the handling of end-to-end coin calls and are not required for originating coinless calls.[16] In addition, the Commission should increase this figure to assure that it excludes commissions paid to location owners and any profit associated with handling coin (as opposed to coinless) calls, both of which should be excluded from the compensation rate for coinless calls.

As described in the attached Robinson affidavit, PSPs' costs for providing end-to-end local coin calls are substantially higher than the costs they incur in providing carriers with access to their payphones for coinless calls, because the coin-related and call completion functions PSPs use to provide local coin calls -- which carriers and customers do not use in connection with coinless calls -- add significantly to the costs of such calls. Specifically, in order to provide coin calls, PSPs incur higher equipment costs and higher maintenance, repair, shipping and staff costs. In addition, PSPs incur costs for coin collection and related services and for local call completion, which are all attributed solely to coin calling. Mr. Robinson's affidavit describes in detail why and the extent to which each of these costs for local coin calls is greater than the

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[16] On this basis, for example, NYNEX's proposed price of 25 cents for local coin calling in Massachusetts would produce a compensation rate for coinless calls of about 12.5 cents -- very near to what AT&T's cost calculations also indicate.

cost of providing carriers with access for originating coinless calls. Affidavit at ¶¶ 4-18. Taken together, they equal about 45% of a PSP's total costs for operating a payphone. Affidavit at ¶ 21.

But the Commission's analysis cannot end there, because it must also assure that the required offset prevents PSPs from imputing commission payments or an excessive amount of profit into the per-call compensation rate. First, as AT&T explained in its initial comments in this proceeding,[17] all PSP commission costs paid to location owners should be excluded from the payphone compensation rate. Otherwise, the Commission would have to decide what constitutes a reasonable commission rate that would be recoverable by PSPs. More important, if PSPs were guaranteed recovery of their commission costs through the statutory compensation mechanism, there would be immediate pressure to include higher and higher commissions within the compensation system, which would in turn cause spiraling prices for consumers.

Second, under this approach, the Commission must further offset the price of a local coin call by a portion of the profits associated with coin calls. If they are entitled to any "profit" at all, PSPs should not be

[17] AT&T Comments (July 1, 1996) at 9.

permitted to profits based on the additional costs of handling coin calls. Rather, any such calculation should be based solely on the PSPs' costs for handling coinless calls. Thus, the total offset from the local coin rate should be at least 50%, and possibly higher.

IV. A "MARKET-BASED" SCHEME UNDER WHICH PSPS COULD CHARGE DIFFERENT COMPENSATION RATES AT EACH PAYPHONE WOULD BE EXCEEDINGLY COSTLY AND VIRTUALLY IMPOSSIBLE TO ADMINISTER.

The Commission should reject the use of any "market-based" compensation scheme that would permit the compensation rate to vary on a phone-by-phone basis at the more than two million payphones across the country. Compared with a compensation system based on a uniform cost-based rate, a "floating" permanent rate that would require carriers to keep track of the rates at over two million individual payphones would be enormously costly to administer and limit carriers' ability to block subscriber 800 calls from high-priced payphones. It also presents a risk of abuse by entities seeking to "game" the process.[18]

Under a floating rate scheme, carriers would have no way of verifying the effective compensation rate for a payphone other than by relying on the PSP for such information. The costs to administer such a floating rate

[18] See AT&T Petition for Reconsideration (Oct. 21, 1996) at 14-15; AT&T Opposition to and Comments on Petitions for Reconsideration (Oct. 28, 1996) at 6.

system would be significant. Cincinnati Bell Telephone ("CBT") operates a clearinghouse that processes compensation payments today for AT&T and other carriers. According to CBT, there are 2.3 million payphone telephone numbers in the United States, referred to as "ANIs" (automatic number identification). If PSPs were permitted to establish a "market-based" compensation rate based not only on an individual ANI or on a series of ANIs, but on time of day, carriers would be forced to keep track of millions of different rates. To further aggravate the problem, PSPs could change their charges at any time for any phone without notice to carriers. AT&T estimates that it would cost hundreds of millions of dollars up front to do the systems development work that is necessary to track multiple compensation rates that change during the tracking period at millions of phones and to offer customers the ability to block subscriber 800 calls from "high-priced" payphones at their request.

In addition to the systems development work, carriers incur costs for the compensation payables process. Under the Commission's initial interim compensation scheme, it costs AT&T, in a flat-rate per-phone compensation environment, $0.33 per payphone per payment cycle to administer the compensation payments. Based on estimates from CBT, this cost is expected to more than double to $0.68 per payphone to administer a uniform per-call rate,[19] and it would likely increase to approximately $2.00 per payphone to administer a floating rate, an additional increase of 300%.

V. INTERIM COMPENSATION PLAN

A. Compensation For Access Code And Subscriber 800 Calls During The Interim Period Must Be Based On The Compensation Rate Set Here And Must Be Paid By All Carriers Based On Their Toll Revenues, Including LECs.

The D.C. Circuit held that the interim per phone compensation rate, which is based on an assumed rate of 35 cents per call as an approximation of the deregulated price for local coin calls, was unlawful and that the Commission must now set a new interim rate.[20] It also held that there was no reasonable basis for the Commission to exempt all but the largest IXCs from paying compensation on an interim basis for the "costs of services received." The Public Notice (pp. 3-4) therefore seeks comment on (i) the proper aggregate amount of compensation PSPs should receive per payphone during the interim compensation period, (ii)

[19] These costs do not take into account the expense involved in determining which PSP is to receive compensation when multiple PSPs claim compensation for the same ANI. In AT&T's experience, based solely on compensating the independent payphone providers, each quarter, approximately 15,000 ANIs are claimed for compensation by more than one PSP.

[20] Slip op. at 17-18.

whether toll revenues are the appropriate basis for allocating interim obligations among carriers, and (iii) whether LECs should be included in the interim payment obligation.

First, the Commission should base interim per phone compensation on the figure of 131 access code and subscriber 800 calls per month. This issue was properly considered by the Commission and arrived at after reviewing data from all the sources that submitted call volume information.[21] Specifically, the Commission found that data submitted on the record from five PSP sources, including the RBOCs and APCC, showed similar average monthly compensable call volumes. Based on this call volume data, the Commission concluded that for purposes of calculating flat-rate comensation, the average payphone originates a combined total of 131 access code calls and subscriber 800 calls per month.[22] This figure was not raised on appeal by any party or modified by the D.C. Circuit. Moreover, it is reasonable to use this figure because it will apply only during the same limited period which the Commission originally described. Accordingly, the proper amount of interim compensation for subscriber 800 and access code calls should

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[21] Report and Order, 11 FCC Rcd at 20604.

[22] Id.

be equal to the rate of 11 cents multiplied by 131 calls, which is equal to $14.41 per payphone, per month for the interim period from November 7, 1996 through October 6, 1997.

With respect to the proper allocation of the per phone compensation obligation, allocating the interim compensation obligation on the basis of the toll revenues of all toll carriers -- including LECs -- is the only approach that is consistent with the D.C. Circuit's holding and can accommodate the fact that carriers have not been required to track such calls during the interim period. In particular, there do not appear to be any data linking payphones with 800 subscriber calls, which comprise a significant majority of all compensable calls.

There are however data that will enable the Commission to track total toll revenues for all carriers. On August 4, 1997, the Commission issued a Public Notice[23] confirming the obligation of all telecommunications carriers providing interstate service, with very limited exceptions, to file an FCC Form 457 Universal Service Worksheet by September 1, 1997, and on a semi-annual basis thereafter.

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[23] Public Notice, "FCC Announces Release of Universal Service Worksheet, FCC Form 457," citing Federal-State Joint Board on Universal Service, Report and Order and Second Order on Reconsideration, CC Docket Nos. 97-21, 96-45, FCC 97-253 (rel. May 18, 1997).